

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1181 - SB 1421

March 4, 2019

SUMMARY OF ORIGINAL BILL: Authorizes Legacy Farms in Wilson County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$300/One-Time/ABC Fund
\$2,000/Recurring/ABC Fund
\$8,500/Recurring/General Fund

Increase Local Revenue - \$7,500/Recurring/Permissive

SUMMARY OF AMENDMENT (005143): Adds language to the original bill authorizing Flat Hollow Marina in Campbell County to sell alcoholic beverages for on-premises consumption.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$600/One-Time/ABC Fund
\$4,000/Recurring/ABC Fund
\$17,100/Recurring/General Fund

Increase Local Revenue - \$15,000/Recurring/Permissive

Assumptions for the bill as amended:

- This legislation only applies to Legacy Farms in Wilson County and Flat Hollow Marina in Campbell County.
- There is an initial application fee of \$300 and a \$2,000 annual fee payable to the Tennessee Alcoholic Beverage Commission (ABC).
- No additional personnel or resources will be required by the ABC.
- Wilson County does not levy an alcoholic beverage privilege tax. This establishment is located within the limits of the City of Lebanon. The City of Lebanon levies a \$1,500 privilege tax on premier type tourist resorts.
- It is assumed that Campbell County levies a \$1,500 alcoholic beverage privilege tax.
- State and local sales taxes and a 15.0 percent liquor-by-the-drink (LBD) tax will be assessed on alcoholic beverage sales.

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- The current state sales tax rate is 7.0 percent; the local option sales tax rate in Wilson County and Campbell County is 2.25 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- Pursuant to Tenn. Code Ann. § 57-4-306(a), 50.0 percent of the 15.0 percent LBD tax is allocated to the state General Fund and 50.0 percent is distributed to the local government.
- It is assumed that the establishment will begin selling alcoholic beverages in FY19-20.
- Based on the interquartile average of 2018 LBD tax returns and assuming reasonable growth rates in LBD tax collections, the average taxable base per establishment is estimated to be approximately \$120,000 per year.
- Given current limitations on the availability of LBD sales data by venue type and size, it is assumed that there are three venue-type categories: smaller than average; average; and larger than average. For the purpose of estimating the tax base for entities authorized to conduct LBD sales pursuant to legislation, the following ratios relative to the average LBD taxable base for all sized entities are utilized: 50 percent for smaller than average; 100 percent for average; and 150 percent for larger than average.
- Given the size of these particular venues, the recurring increase in sales is estimated to be 50 percent of the average taxable base, or \$60,000 per establishment per year.
- The recurring increase in state revenue to the General Fund is estimated to be \$17,096 $\{2 \times [(\$60,000 \times 7.0\%) - (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]\}$.
- The recurring increase in local revenue is estimated to be \$15,004 $\{2 \times [\$1,500 + (\$60,000 \times 2.25\%) + (\$60,000 \times 7.0\% \times 3.617\%) + (\$60,000 \times 15.0\% \times 50.0\%)]\}$.
- Any revenue collected from any state or local taxes imposed on manufacturers or wholesalers is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb